

U.S. Senator Elizabeth Dole
Committee on Banking, Housing and Urban Affairs
Hearing on: “The Semiannual Monetary Policy Report to the Congress”
Tuesday, July 15, 2008
Opening Statement

Thank you, Chairman Dodd and Ranking Member Shelby for holding this important hearing. As always, I look forward your prepared remarks as well as your insights with respect to the health of our economy.

Chairman Bernanke, these are challenging economic times for so many Americans. The combination of a declining stock market, tumbling housing prices and soaring commodity costs has produced a dire situation for many of my constituents, and I suspect, for most members of this body. In my mind, returning confidence and stability to the housing and capital markets should be at the top of the Federal Reserve’s agenda.

According to RealtyTrac, there were 3,465 foreclosure filings in my home state of North Carolina in June, up nearly 78.3 percent from a year ago. Additionally, in the first five months of this year, the Administrative Office of the North Carolina Courts noted that foreclosures have jumped by 17.5 percent from the prior year.

To make matters worse, while this stress is occurring across the housing market, consumers are also getting hit with skyrocketing prices at the pump. In February, a barrel of oil was hovering around \$90, which was considered a high price at the time, but that amount has been eclipsed by the current levels of approximately \$145 (likely have to revise number) per barrel. For folks in my hometown of Salisbury, North Carolina, this translates into a gas price increase of roughly a dollar per gallon, from \$2.98 to \$4.09 in just the last five months. Furthermore, in case anyone questions the impact of this price spike at the pump, increasing evidence demonstrates that lives and businesses are now factoring in these increased costs associated with commerce and transportation — and cutting back their on their economic activity — a development that I find quite disturbing.

Further compounding our weak economic outlook, the U.S. unemployment rate has jumped to 5.5 percent. Since the beginning of this year, nonfarm payroll employment has dropped by 438,000. In North Carolina, the employment situation is worse than the national numbers — for the month of May, the unemployment rate stood at 5.8 percent, a substantial jump from the prior month of 5.4 percent. Clearly, our economy has witnessed better times and I fear the unemployment situation may get worse before it gets better.

One of the areas this committee has successfully addressed, indeed now in the full Senate, is reaching a bipartisan agreement to overhaul the GSEs — Fannie Mae and Freddie Mac — as well as the Federal Home Loan Banks and the modernization of the Federal Housing Administration. As you know, comprehensive reform of the GSE's has been an issue of importance to me for many years. I've continuously sponsored legislation, and I believe it is critical to the long-term stability of the housing and credit markets. Furthermore, I agree with the recent remarks of Secretary Paulson that these are the most vital components of the pending housing legislation.

Mr. Chairman, let me reiterate that I believe returning confidence and stability to the housing and capital markets should be at the top of the agenda at the Federal Reserve. One has to look no further than the seemingly endless stream of asset write-downs and capital-raising announcements by major banks, both domestic and international, to see that we have not found a bottom to this credit crisis. Twice this year — once during this committee's evaluation of the Fed-assisted sale of Bear Stearns to J.P. Morgan, and again in June — I raised transparency concerns with respect to structured products. These derivatives, such as credit default swaps, and the lack of confidence in the pricing and trading of these instruments, I believe has contributed to the current credit crisis. Returning confidence to the marketplace with the clearing and settlement of these contracts is vital and I appreciate how federal regulators, indeed this committee, has begun the task of exploring how this can best be accomplished. I have other issues that I would like to raise today, but I will save those for the question-and-answer period.

Chairman Bernanke, thank you again for being here this morning. I look forward to hearing from you — and working with you — on these and other issues.